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PROMOTING REGIONAL CO-OPERATION THROUGH JOINT VENTURES WITH PUBLIC ENTERPRISES: THE NIGERIAN EXPERIENCE

by

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Introduction

Like most developing countries, Nigeria uses public enterprise as a tool of public intervention in the development process. As a machinery for stimulating and accelerating national development, public enterprises are crucial in Nigeria's quest for national economic independence and self-reliance.

The 1979 Constitution of the Federal Republic of Nigeria prescribes for the country, a mixed economy in which verile public sector co-exists with an increasingly dynamic private sector. There is no controversy about the role of the public sector in the economic development of the Country. The lingering controversy or concern is on the effective performance of public enterprises; this, however is a global concern.

In the face of increased global economic interdependence, joint ventures play a major role in international resource flows. Such resources as capital, goods, skills and technology flow from countries where they exist in abundance to countries where they are in very short supply. The flow of these resources through joint ventures generally follow the basic principles of international trade.

Nigeria has had a long history of commercial contact with industrialized countries. Since her achievement of political independence, Nigeria adopted a strategy of industrialisation through the instrumentality of foreign investment. Concerned, like most developing countries, about the dangers to her sovereignty, of foreign control of her economy, Nigeria adopted a strategy of moving gradually through a continum of joint venture activities as follows:[1]

- first by participating in new ventures with foreign investors;
- later by partially nationalising some sectors and leaving others untouched;
- finally, at least for the moment, insisting on majority equity participation in most business ventures undertaken by foreign investors.

The purpose of this paper is to discuss the experience of Nigeria in the use of joint ventures with public enterprises to promote co-operation among the various States in the country, and between her and other countries particularly in Africa. It focuses on, among other things, planned and on-going joint ventures, and the management problems affecting the performance of joint venture enterprises.

The meaning of a joint venture varies according to the context in which the term is used. The term may be used to describe the following:

- a partnership between enterprises of the same or different nationalities carrying out a project in a country other than their own;
- an arrangement with equity shared between foreign and local owners, where local owners may be:

(i) one or a small number of private partners;

(ii) a large number of shareholders;

(iii) a government agency or parastatals.

The basic ingredient of a joint venture is the mutuality of interest in common economic activity where interested parties pool their resources to achieve their mutual objectives.

JOINT VENTURE AS A NATIONAL STRATEGY

Concerned about the control of her economy by foreign investors, Nigeria adopted a deliberate policy of promoting local participation in all aspects of the economy. The indigenisation of ownership, management and control of business has become a major national aspiration and development strategy. Under this policy, certain economic activities (mostly services and elementary manufacturing) were reserved exclusively for local investors. The second group of

[1] Udo-Udo-Aka, "Government policies Towards Joint Ventures for Promoting Economic Development" in V.V. Ramanadham, ed. Joint Ventures and Public Enterprises in Developing Countries, Ljubljana, Yugoslavia, 1980, pp.85-98

economic activities required a minimum of 60 per cent local equity participation. The third group (mostly high technology and capital intensive) required a minimum local equity participation of 40 per cent.

In the Nigerian situation, the policy sought to indigenise existing business enterprises on the one hand and promote competitive stimulus for the establishment of new industries by local entrepreneurs. A machinery was established for facilitating the transfer of ownership from former foreign owners to indigenous investors. With the implementation of this policy, all foreign investments in Nigeria are joint ventures. All State governments in the country are portfolio investors in the major enterprises affected by this policy. The implementation of the Nigerian Enterprises Promotion (popularly called the Indigenisation) Act has brought with it an unprecedented boom in joint venture activities in both the private and public sectors of the economy.

JOINT VENTURES AMONG LOCAL PUBLIC ENTERPRISES

As a multi-ethnic and multi-state society, Nigeria has used joint ventures among local public enterprises to promote intra-state co-operation and enhance national integration. The various governments (Federal and State) of the Federation join in the establishment of major enterprises directly or through their agencies. Such agencies include:

1. Commercial and co-operative Banks owned jointly by:
   - Federal and State Governments as well as private local investors e.g.
     - National Bank of Nigeria
     - African Continental Bank
   - A number of State Governments e.g.
     - Co-operative Bank of Eastern Nigeria
     - Co-operative Bank of Western Nigeria
2. Development Banks, owned by the Federal Government e.g.
   - Nigerian Industrial Development Bank (NIDB)
   - Nigerian Bank for Commerce and Industry (NBCI)

   Both public enterprises go into joint ventures with other public enterprises and with private investors.
3. Holding Companies owned by a group of States e.g.
   - New Nigeria Development Company (NNDC) owned by the ten Northern States;
   - O'dua Investment Company Limited, owned by Lagos, Oyo, Ondo States.
4. Holding or Investment Companies owned by individual States, e.g.

. Investment Trust Co. Ltd., Calabar

. Central Investment Co. Ltd., Enugu

. Kaduna Investment Co. Ltd., Kaduna

. Sokoto Investment Co. Ltd., Sokoto

. Plateau Investment Co. Ltd., Jos.

With the instrumentality of these public enterprises, a variety of joint venture industries have been established around the country.

JOINT VENTURES WITH FOREIGN PARTNERS

As a host country Nigeria has engaged in a number of joint ventures on bilateral and multi-lateral basis through the vehicle of public enterprises. Such projects cover all imaginable areas of economic activities including:

- Banking and Finance
- Insurance
- Textile manufacturing
- Automobile assemblying
- Road construction
- Beer brewing
- Soft drink bottling
- Food production and processing
- Manufacturing of farm equipment and building materials.

Consistent with her foreign policy posture, Nigeria has attracted joint venture partners from friendly countries regardless of their economic system and political ideologies. The distribution of Nigeria's joint venture partners is as follows:

United Kingdom	41%
Other Western Europe	23%
United States of America	10%
India and Australia	6%
Other Countries	20%
	100%

The distribution of the sources of joint venture partners reflects the historical trade pattern and colonial relationship.

MANAGEMENT OF JOINT VENTURES

At the inception of a joint venture, the parties concerned would agree on:

- how much capital would be required;
- how the required capital would be raised subject to Federal Government approval;
- the type of technology needed;
- the calibre of management required;
- how long it would take to train Nigerians adequately to hold the top posts in the enterprise according to stated policy of government

What the parties to a joint venture agree to, are usually summarised in two types of documents, namely:

- Management service Agreement
- Technical Agreement

Generally, the foreign partner supplies the Chief executive, and other key management and technical personnel to ensure a successful take off of the enterprise. To comply with the Nigerianisation policy of government, the enterprise employs qualified or qualifiable Nigerians to understudy each of the key expatriate personnel with a view to taking over from after the stipulated time. The moratorium period for training of Nigerians to manage the enterprise may be extended if mutually agreed and if the foreign partner can convince government that indigenous staff cannot handle the business. The period can also be reduced or terminated by government if it has cause to believe that:

- the Nigerians being trained have acquired the necessary expertise to run the business
- the foreign management was not training the Nigerians or deliberately slowing down the training
- the management does not pursue the stated goals of government

Since the parties to a joint venture usually have considerable stake in the venture neither would deliberately breach the terms of the contract and ruin the relationship between the participating states or countries.

In public enterprise joint ventures, Nigerians hold the chief executive, finance, marketing and administrative positions and the foreign partners provide the technical personnel. On the whole, Nigerians manage about 30 per cent of the major joint venture enterprises in the country.

Since Nigeria enters into joint venture activities with countries from different parts of the world, with different cultures, economic system and political philosophy, the environment of the foreign partner is bound to affect the management approaches and performance of the joint venture. The management models and approaches developed and practised in Western industrialised economies are not culture free. This is the central issue in the long standing and

unsettled academic debate on the universal applicability of management models.

The differences in the concept of enterprise management in the planned economy of Eastern Europe, for instance, can affect the management performance of joint venture enterprises from those countries. This problem is observed (though not studied seriously) in two separate joint venture companies in Nigeria, namely:

Seromwood Industries Limited in Calabar

Niromwood Industries Limited in Ondo

Both are public enterprise joint venture between Nigeria and Romania. They are massive integrated wood complexes establish to exploit the rich forest resources in their respective areas. Both have difficulty really taking off. The quality of their products cannot compete with even small private furniture company products. In the Nigerian management context, the marketing philosophy of the two firms is faulty. These companies would like all government agencies and schools to depend on them for all their furniture and other wood-related requirements. They do not see why government as the shareholder should patronise competitors. But Nigeria is a free enterprise system where competition is an article of faith. The point being emphasised here is that the environment from which a joint venture partner originates affects the overall operational performance of joint venture enterprises.

JOINT VENTURES: A TOOL FOR REGIONAL CO-OPERATION

Regional economic integration has long been recognised as indispensable in the pursuit of economic and political strength. In view of the fact that many African countries are too small to create viable industrial economies within the confines of their geographical areas, and knowing the high cost of establishing modern industrial enterprises relative to the size of local markets, African countries have grappled with economic co-operation since independence. It is widely accepted that co-operation would facilitate pooling of resources across national boundaries and improve the prospect of economic viability. With this awareness, Nigeria has participated in all initiatives aimed at promoting economic co-operation and integration in the continent since independence.

To demonstrate her commitment in this field of co-operation Nigeria has established a number of Joint Commissions with neighbouring countries, e.g.

- Nigeria/Niger Joint Commission for Co-operation
- River Niger Basic Commission
- Lake Chad Basin Commission

Economic co-operation agreements have also been signed with Cameroun, Ghana, Benin, Togo, Senegal, etc.

Nigeria has initiated a major programme of co-operation with her neighbours in the provision of infrastructure essential for the development of economies. The infrastructure includes roads, energy and communication. Nigeria has constructed roads linking neighbouring towns in the Republic of Benin, and has

assisted that country to complete its own portion of the Trans-African road.

In the past, telecommunication between African countries particularly in the West African sub-region went through London and Paris. With the effort of a major public enterprise - Nigerian External Telecommunication (NET) telephone links have now been established with some West African Countries. NET is also involved in up-grading of the Nigeria-Benin VHF-link and expansion of VHF-radio links to OAU member countries.

Nigeria's National Electric Power Authority (NEPA) supplies 30 megawatts of electricity to Niger Republic and is currently considering a request to increase the supply to 40 megawatts. Nigeria and Niger Republic have recently agreed to jointly construct the Kanji Dam on the upper part of River Niger to promote the mutual interest of both countries. The two countries have been working on the TECHILL Uranium Project and have agreed to embark on other joint ventures for:

- development and exploration of phosphate deposits in the Republic of Niger to supply raw materials for the fertilizer industry in Nigeria
- processing and smelting of tin from the Niger Republic by Maker Smelting Company in Jos, Nigeria is under consideration.

Nigeria, using the tool of Public enterprises, has invested in a number of joint venture projects in other African countries. Such projects include:

- Cement Factory at Onigholo in the Republic of Benin where Nigeria has 30 per cent equity;
- Integrated sugar project at Save in the Republic of Benin;
- Fertilizer project in Senegal;
- Bauxite processing project in the Republic of Guinea;
- Aluminum Smelter Plant to be supplied alumnia from Dabola in the Republic of Guinea and Kibi in Ghana to produce aluminum ingots, rods, billets, foils, etc.
- Copper mining project in Zambia

Many of these joint venture projects are under construction and other are still at the planning stages. In all, commitment has been made preliminary work has been done toward their implementation. With her joint venture experience within her own territory, Nigeria should be able to bring about successful and mutually beneficial joint ventures with other African countries.

CONCLUSION

In this brief discussion, the role of and the rationale for public enterprises in Nigeria's development have been highlighted. Nigeria's experience in the use of joint ventures to promote local participation and industrialisation has been examined. There is a general awareness of the need for the importance of regional economic co-operation and the role of joint ventures in facilitating its realisation.

In order to realise the noble objective of promoting regional co-operation through joint public enterprise ventures there is need for a free flow of information within the continent on various aspects of economic and social development

in the different countries. There is need for exchange of information on feasibility studies on various projects in member states. There is need for sharing expertise through participation in consultancy and manpower development programmes. In the final analysis, the full benefits of joint ventures can only be achieved when the ventures are managed jointly by citizens of the participating countries who have stake in the survival and growth of the enterprises.

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November 1982.